

**CITY OF WEST LIBERTY**  
**West Liberty, Iowa**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2008**

NEWS RELEASE

Contact:

FOR RELEASE \_\_\_\_\_

Taylor, Rees, Beckey & Co. P.C. today released an audit report on the City of West Liberty, Iowa.

The City's revenues totaled \$8,632,345 for the year ended June 30, 2008, a 13.81% percent decrease from the prior year. Revenues included \$809,496 in property tax, \$149,195 for tax increment financing revenues, \$6,008,300 from charges for service, \$360,873 from local option sales tax, \$320,310 from unrestricted investment earnings, \$13,303 from licenses and permits, \$311,618 from intergovernmental, \$163,237 from other miscellaneous revenues and \$496,013 from contributions.

Expenses for City operations totaled \$8,115,233. Expenses included \$666,251 for public safety, \$664,066 for culture and recreation, \$326,956 for public works, \$95,621 debt service, \$155,729 for capital projects and \$105,396 for general government and \$316 Community & Economic Development. Expenses for business type activities totaled \$6,100,898.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

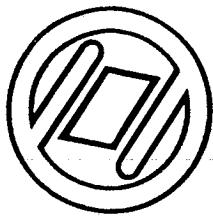
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JUNE 30, 2008

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CITY OF WEST LIBERTY  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clifford McFerren	Mayor	Jan 2010
Jose Elizondo	Council Member	Jan 2010
Robert Hartman	Council Member	Jan 2010
William Cline	Council Member	Jan 2012
Tom Pace	Council Member	Jan 2012
Gary Wickham	Council Member	Jan 2012
Chris Ward	City Manager/Clerk	Appointed-Jan 2010
P.J. Brewer	Chief of Police	Appointed-Jan 2010
Curt Newcomb	Fire Chief	Appointed-Jan 2010
Karen A. Thurness	Deputy Clerk	Appointed-Jan 2010
Connie S. Black	Treasurer	Appointed-Jan 2010



# Taylor, Rees, Beckey & Co., P.C.

Certified Public Accountants • Multi-dimensional Business and Tax Concepts

500 Cedar / Muscatine, IA 52761 / (563) 264-CPA'S (2727) / FAX (563) 263-7777 / www.cpaabv.com / 1800 Fifth Avenue / Rock Island, IL 61201 / (309) 788-2034

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Liberty at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2008 on our consideration of the City of West Liberty internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 45 and 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Taylor, Rees, Beckey & Co., P.C.*

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2008



# CITY OF WEST LIBERTY

- A GREATER TOMORROW

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of West Liberty provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 28.60%, or approximately \$559,016, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$49,827.

Program expenses totaled \$8,115,233. Expenses included \$666,251, for public safety, \$664,066 for culture and recreation and \$6,100,898 for business type activities.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of West Liberty as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of West Liberty's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the



Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the water, the sanitary sewer system, electric system and the City's solid waste department. These activities are financed primarily by user charges.

#### Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

(2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Electric and Solid Waste Funds, with Water, Sewer and Electric considered to be major funds of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	Net Assets <u>June 30, 2008</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current and other assets	\$ 2,522,828	7,247,944	9,770,772
Capital assets	7,489,370	15,440,440	22,929,810
Total assets	<u>10,012,198</u>	<u>22,688,384</u>	<u>32,700,582</u>
Long-term liabilities	1,878,000	5,286,990	7,164,990
Other liabilities	496,613	451,303	947,916
Total liabilities	<u>2,374,613</u>	<u>5,738,293</u>	<u>8,112,906</u>
Net assets:			
Invested in capital assets, net of related debt	5,624,450	2,492,988	8,117,438
Restricted	135,460	2,789,503	2,924,963
Unrestricted	<u>1,877,675</u>	<u>11,667,600</u>	<u>13,545,275</u>
Total net assets	<u>\$ 7,637,585</u>	<u>16,950,091</u>	<u>24,587,676</u>

Net assets of governmental activities increased from FY07 by approximately \$330,610, or 4.52%. Net assets of business type activities decreased from FY07 by approximately \$186,502, or 1.11%. The largest portion of the City's net assets is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$13,545,275 at the end of this year.

Changes in Net Assets  
Year ended June 30, 2008

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 172,235	5,836,065	6,008,300
General revenues:			
Property tax levied for:			
General purposes	809,496		809,496
Tax increment financing revenues	149,195		149,195
Local option sales tax	360,873		360,873
Intergovernmental	311,618		311,618
Licenses & permits	13,303		13,303
Unrestricted investment earnings	75,223	245,087	320,310
Miscellaneous	125,794	37,443	163,237
Contributions	496,013	-	496,013
Total revenues	<u>2,513,750</u>	<u>6,118,595</u>	<u>8,632,345</u>
Program expenses:			
Public safety	666,251		666,251
Public works	326,956		326,956
Culture and recreation	664,066		664,066
Community & Economic Development	316		316
General government	105,396		105,396
Debt Service	95,621		95,621
Capital Projects	155,729		155,729
Water		377,952	377,952
Sewer		1,243,129	1,243,129
Electric		4,192,812	4,192,812
Solid Waste	-	287,005	287,005
Total expenses	<u>2,014,335</u>	<u>6,100,898</u>	<u>8,115,233</u>
Transfers In	118,533	210,218	328,751
Transfers (Out)	(287,338)	(41,413)	(328,751)
Change in net assets	330,610	186,502	517,112
Net assets beginning of year (as restated)	7,306,975	16,763,589	24,070,564
Net assets end of year	\$ 7,637,585	16,950,091	24,587,676

#### INDIVIDUAL MAJOR FUND ANALYSIS

##### Governmental Fund Highlights

As the City of West Liberty completed the year, its governmental funds reported a combined fund balance of \$2,013,135, which is less than the \$2,651,565 total fund balance at June 30, 2007. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a decline of \$593,897 from the prior year to \$332,660.

The Capital Projects Fund ended fiscal 2008 with a \$481,848 balance compared to the prior year ending balance of \$968,583. The fiscal 2008 decrease is a result of project cost exceeding available funds.

The Debt Service Fund ended fiscal 2008 with a \$135,460 balance compared to the prior year ending balance of \$94,599. The fiscal 2008 increase is a result of local option tax and transfers exceeding interest expense.

#### Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2008 with a \$2,114,283 net asset balance compared to the prior year ending net asset balance of \$2,154,051.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2008 with a \$4,583,583 net asset balance compared to the prior year ending net asset balance of \$4,531,893.

The Electric Fund, which accounts for the operation and maintenance of the City's electrical system, ended fiscal 2008 with a \$9,924,024 net asset balance compared to the prior year ending net asset balance of \$9,782,194.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City of West Liberty amended its budget one time. The amendment was done in May 2008. These amendments were needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$7,489,370 (net of accumulated depreciation) at June 30, 2008. Capital assets for business type activities totaled \$15,440,440 (net of accumulated depreciation) at June 30, 2008. See Note 3 to the financial statements for more information about the City's capital assets.

##### Long-Term Debt

At June 30, 2008, the City had \$1,878,000, in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$5,286,990 at June 30, 2008.

#### ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City of West Liberty in setting its fiscal 2008 budget. The City of West Liberty will experience a significant change in General Fund revenues and expenditures from fiscal year 2008 to fiscal year 2009. The major factors that will play a role in this change are the intergovernmental revenue and the property valuation for fiscal 2008 in which the State of Iowa has issued the Assessment Limitation Order to be 48% for residential property.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State of Iowa CPI increase was 3.7 percent for fiscal year 2008 compared with the national rate of 5 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market state wide but there has been an increase in energy prices, which has also been a major influence on this budget. City staff and management could not anticipate the dramatic increase in fuel cost for this budget year.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2008 are provided below:

General levy	\$ 8.10
Debt Service levy	\$ 1.57
Tort Liability	\$ 0.31
Employee Benefits	\$ 1.97
Emergency Levy	<u>\$ 0.25</u>
Total	\$ 12.20

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact the City Manager, Mr. Chris Ward, City of West Liberty, 409 N. Calhoun Street, West Liberty, Iowa 52776 or by telephone at (319) 627-2418.

## Basic Financial Statements

City of West Liberty  
Statement of Net Assets

June 30, 2008

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 2,440,090	2,880,978	5,321,068
Receivables:			
Property tax	12,526		12,526
Accounts	11,369	843,695	855,064
Accrued interest	853	16,680	17,533
Due from other governments	229		229
Due from other funds		362,443	362,443
Inventories		204,220	204,220
Prepaid Expenses	44,681	70,329	115,010
Bond Issuance	13,080	80,096	93,176
Restricted assets:			
Cash and pooled investments		2,789,503	2,789,503
Capital assets (net of accumulated depreciation)	7,489,370	15,440,440	22,929,810
<b>Total Assets</b>	<u>10,012,198</u>	<u>22,688,384</u>	<u>32,700,582</u>
<b>Liabilities</b>			
Accounts payable	92,688	309,731	402,419
Salaries and benefits payable	40,829	31,970	72,799
GO Bonds payable current plus interest		16,052	16,052
Due to other governments	653	2,850	3,503
Due to other funds	362,443		362,443
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits		75,719	75,719
General obligation bonds/notes	217,040	22,960	240,000
Revenue notes payable		1,400,000	1,400,000
Accrued interest payable		14,981	14,981
Portion due or payable after one year:			
General obligation bonds/notes (net of unamortized discount)	1,660,960	59,040	1,720,000
Revenue notes payable		3,705,000	3,705,000
Bank note payable	-	99,990	99,990
<b>Total Liabilities</b>	<u>2,374,613</u>	<u>5,738,293</u>	<u>8,112,906</u>

## City of West Liberty

Statement of Activities  
Year ended June 30, 2008

Functions / Programs:	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Service</u>
<b>Primary Government:</b>		
Governmental activities:		
Public safety	\$ 666,251	116,540
Public works	326,956	
Culture and recreation	664,066	30,157
Beautification	316	
General government	105,396	25,538
Debt Service	95,621	
Capital Projects	155,729	-
Total governmental activities	<u>2,014,335</u>	<u>172,235</u>
Business type activities:		
Water	377,952	316,292
Sewer	1,243,129	1,110,669
Electric	4,192,812	4,135,424
Solid Waste	287,005	273,680
Total business type activities	<u>6,100,898</u>	<u>5,836,065</u>
<b>Total Primary Government</b>	<u><u>\$ 8,115,233</u></u>	<u><u>6,008,300</u></u>
<b>General Revenues:</b>		
Property and other city tax levied for:		
General purposes		
Tax increment financing		
Local option sales tax		
Intergovernmental		
Licenses & permits		
Unrestricted investment earnings		
Miscellaneous		
Contributions		
<b>Total general revenues</b>		
Transfers In		
Transfers (Out)		
Change in net assets		
Net assets beginning of year		
Net assets end of year		

See notes to financial statements.



Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(549,711)		(549,711)
(326,956)		(326,956)
(633,909)		(633,909)
(316)		(316)
(79,858)		(79,858)
(95,621)		(95,621)
(155,729)	-	(155,729)
(1,842,100)	-	(1,842,100)
	(61,660)	(61,660)
	(132,460)	(132,460)
	(57,388)	(57,388)
-	(13,325)	(13,325)
-	(264,833)	(264,833)
(1,842,100)	(264,833)	(2,106,933)
809,496		809,496
149,195		149,195
360,873		360,873
311,618		311,618
13,303		13,303
75,223	245,087	320,310
125,794	37,443	163,237
496,013	-	496,013
2,341,515	282,530	2,624,045
118,533	210,218	328,751
(287,338)	(41,413)	(328,751)
330,610	186,502	517,112
7,306,975	16,763,589	24,070,564
\$ 7,637,585	16,950,091	24,587,676

## City of West Liberty

Balance Sheet  
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 719,125	132,773	481,848	1,106,344	2,440,090
Receivables:					
Property tax	9,839	2,687			12,526
Accounts	11,369				11,369
Accrued interest	421			432	853
Due from other governments				229	229
Prepaid Expenses	36,253	-	-	8,428	44,681
<b>Total assets</b>	<u>\$ 777,007</u>	<u>135,460</u>	<u>481,848</u>	<u>1,115,433</u>	<u>2,509,748</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 46,810			45,878	92,688
Salaries and benefits payable	34,441			6,388	40,829
Due to other governments	653				653
Due to other funds	362,443			-	362,443
<b>Total Liabilities</b>	<u>444,347</u>	<u>-</u>	<u>-</u>	<u>52,266</u>	<u>496,613</u>
Fund balances					
Reserved for debt service		135,460			135,460
Unreserved:					
Undesignated:					
Reported in:					
General fund	332,660				332,660
Special revenue funds				1,040,360	1,040,360
Capital projects fund			481,848	22,807	504,655
<b>Total fund balances</b>	<u>332,660</u>	<u>135,460</u>	<u>481,848</u>	<u>1,063,167</u>	<u>2,013,135</u>
<b>Total liabilities and fund balances</b>	<u>\$ 777,007</u>	<u>135,460</u>	<u>481,848</u>	<u>1,115,433</u>	<u>2,509,748</u>

See notes to financial statements.

City of West Liberty

City of West Liberty  
Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets

June 30, 2008

Total governmental fund balances (page 21) \$ 2,013,135

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$12,501,517 and the accumulated depreciation is \$5,012,147. 7,489,370

The cost of bond issuance is \$15,525 and the accumulated amortization is \$2,445 13,080

Long-term liabilities, including bonds payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (1,878,000)

***Net assets of governmental activities (page 15)*** **\$ 7,637,585**

See notes to financial statements.

City of West Liberty  
Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Governmental Funds

Year ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:					
Property tax	\$ 699,075	\$ 110,421			809,496
Tax increment financing		124,727		24,468	149,195
Local option tax	240,582		120,291		360,873
Licenses and permits	13,303				13,303
Use of money and property	33,099	4,170	22,219	18,536	78,024
Intergovernmental	16,222			295,396	311,618
Charges for service	120,145			52,090	172,235
Miscellaneous	69,704			56,090	125,794
Contributions - Gifts/Grants	29,750	-	-	466,263	496,013
Total revenues	<u>1,221,880</u>	<u>239,318</u>	<u>142,510</u>	<u>912,843</u>	<u>2,516,551</u>
Expenditures:					
Operating:					
Public safety	655,616			40,055	695,671
Public works	106,917			411,295	518,212
Culture and recreation	986,551			4,999	991,550
Community & Economic Development	316				316
General government	51,377			52,301	103,678
Debt service		301,990		670	302,660
Capital projects			374,089	-	374,089
Total expenditures	<u>1,800,777</u>	<u>301,990</u>	<u>374,089</u>	<u>509,320</u>	<u>2,986,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(578,897)</u>	<u>(62,672)</u>	<u>(231,579)</u>	<u>403,523</u>	<u>(469,625)</u>
Other financing sources (uses):					
Bond proceeds					-
Operating transfers in		103,533		15,000	118,533
Operating transfers out	(15,000)		(255,156)	(17,182)	(287,338)
Total other financing sources (uses)	<u>(15,000)</u>	<u>103,533</u>	<u>(255,156)</u>	<u>(2,182)</u>	<u>(168,805)</u>
Net change in fund balances	<u>(593,897)</u>	<u>40,861</u>	<u>(486,735)</u>	<u>401,341</u>	<u>(638,430)</u>
Fund balances (deficit) beginning of year	<u>926,557</u>	<u>94,599</u>	<u>968,583</u>	<u>661,826</u>	<u>2,651,565</u>
Fund balances (deficit) end of year	<u>\$ 332,660</u>	<u>135,460</u>	<u>481,848</u>	<u>1,063,167</u>	<u>2,013,135</u>

See notes to financial statements.

City of West Liberty

City of West Liberty

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - Total governmental funds (page 21)** \$ (638,430)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. Capital outlay expenditures  
exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	1,165,336
Depreciation expense	(400,891)
Amortization Expense	(2,445)

Proceeds from issuing long-term liabilities provide current financial  
resources to governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Assets. Repayment of long-term  
liabilities is an expenditure in the governmental funds, but the repayment  
reduces long-term liabilities in the Statement of Net Assets. Current year  
issues exceeded repayments, as follows:

Proceeds	-
Repaid	207,040

**Change in net assets of governmental activities (page 17)** \$ 330,610

See notes to financial statements.

City of West Liberty  
Statement of Net Assets  
Proprietary Funds

June 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Fund</u> <u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 23,846	(668,668)	3,378,899	146,901	2,880,978
Receivables (net of allowance for uncollectibles):					
Accounts	62,730	209,278	520,971	50,716	843,695
Accrued interest	2,719	656	13,144	161	16,680
Due from other funds			362,443		362,443
Inventories	30,688	797	172,735		204,220
Prepaid expenses	6,475	8,737	45,402	9,715	70,329
Bond issuance		21,098	58,998		80,096
Restricted assets:					
Cash and pooled investments	703,125	831,005	1,238,173	17,200	2,789,503
Capital assets (net of accumulated depreciation)	1,311,255	5,731,094	8,183,741	214,350	15,440,440
<b>Total assets</b>	<u>2,140,838</u>	<u>6,133,997</u>	<u>13,974,506</u>	<u>439,043</u>	<u>22,688,384</u>
<b>Liabilities</b>					
Accounts payable	20,903	16,110	267,638	5,080	309,731
Salaries and benefits payable	5,652	6,252	14,334	5,732	31,970
Go Bonds payable current plus interest		16,052			16,052
Due to other governments			2,810	40	2,850
Customer deposits			75,719		75,719
Payable from restricted assets:					
General Obligation bonds/notes		22,960			22,960
Revenue notes payable		1,105,000	295,000		1,400,000
Accrued interest payable			14,981		14,981
Long-term liabilities:					
GO Bonds payable		59,040			59,040
Revenue notes payable		325,000	3,380,000		3,705,000
Bank note payable				99,990	99,990
<b>Total liabilities</b>	<u>26,555</u>	<u>1,550,414</u>	<u>4,050,482</u>	<u>110,842</u>	<u>5,738,293</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	9,992	2,481,396	1,600		2,492,988
Restricted for:					
Revenue note retirement		154,320	658,065		812,385
Improvement	703,125	676,685	580,108	17,200	1,977,118
Unrestricted	1,401,166	1,271,182	8,684,251	311,001	11,667,600
<b>Total net assets</b>	<u>\$ 2,114,283</u>	<u>4,583,583</u>	<u>9,924,024</u>	<u>328,201</u>	<u>16,950,091</u>

See notes to financial statements.



City of West Liberty

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2008

	<u>Enterprise Fund</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:					
Charges for service	\$ 316,292	1,110,669	4,135,424	273,680	5,836,065
Total operating revenues	<u>316,292</u>	<u>1,110,669</u>	<u>4,135,424</u>	<u>273,680</u>	<u>5,836,065</u>
Operating expenses:					
Business type activities:					
Cost of sales and services	254,574	937,462	3,458,832	259,217	4,910,085
Depreciation	123,378	215,512	549,453	25,446	913,789
Total operating expenses	<u>377,952</u>	<u>1,152,974</u>	<u>4,008,285</u>	<u>284,663</u>	<u>5,823,874</u>
Operating income (loss)	<u>(61,660)</u>	<u>(42,305)</u>	<u>127,139</u>	<u>(10,983)</u>	<u>12,191</u>
Non-operating revenues (expenses):					
Sale of property/Insurance proceeds		128	6,400	30,915	37,443
Interest income	32,245	14,798	192,819	5,225	245,087
Interest expense		(90,155)	(184,528)	(2,342)	(277,024)
Transfers In (Out)	(10,353)	169,224	-	9,935	168,805
Total non-operating revenues (expenses)	<u>21,892</u>	<u>93,995</u>	<u>14,691</u>	<u>43,733</u>	<u>174,311</u>
Change in net assets	(39,768)	51,690	141,830	32,750	186,502
Net assets beginning of year	<u>2,154,051</u>	<u>4,531,893</u>	<u>9,782,194</u>	<u>295,451</u>	<u>16,763,589</u>
Net assets end of year	<u>\$ 2,114,283</u>	<u>4,583,583</u>	<u>9,924,024</u>	<u>328,201</u>	<u>16,950,091</u>

See notes to financial statements.

## City of West Liberty

Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2008

	<u>Enterprise Fund</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ (39,768)	51,690	141,830	32,750	186,502
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	123,378	215,512	549,453	25,446	913,789
(Increase) Decrease in customer accounts receivable and unbilled usage and other accounts receivable	(1,452)	(106,719)	(342,155)	(3,774)	(454,100)
(Increase ) Decrease in inventories, at cost	1,901	(143)	(40,560)		(38,802)
(Increase ) Decrease in prepaid expenses and bond issuance cost	(3,149)	6,537	14,400	(3,571)	14,217
Increase (Decrease) in accounts payable	(40,215)	(42,689)	4,170	3,054	(75,680)
Increase (Decrease) in salaries payable	1,428	1,113	2,526	2,943	8,010
Increase in customer deposits	-	-	3,271	37	3,271
Increase in due to other governments	-	-	398		435
Net cash provided (used) by operating activities	<u>42,123</u>	<u>125,301</u>	<u>333,333</u>	<u>56,885</u>	<u>557,642</u>
<b>Cash flows from capital and related financing activities:</b>					
Net increase of capital assets	(194,430)	(195,850)	(113,963)	(120,612)	(624,855)
Increase (Decrease) in long term debt	-	(309,991)	(285,950)	80,043	(515,898)
Net cash used for capital and related financing activities	<u>(194,430)</u>	<u>(505,841)</u>	<u>(399,913)</u>	<u>(40,569)</u>	<u>(1,140,753)</u>
Net increase (decrease) in cash and cash equivalents	(152,307)	(380,540)	(66,580)	16,316	(583,111)
Cash and cash equivalents beginning of year	879,278	542,877	4,683,652	147,785	6,253,592
Cash and cash equivalents end of year	<u>\$ 726,971</u>	<u>162,337</u>	<u>4,617,072</u>	<u>164,101</u>	<u>5,670,481</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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City of West Liberty  
Notes to Financial Statements

June 30, 2008

NOTE 1- Summary of Significant Accounting Policies

City of West Liberty is a political subdivision of the State of Iowa located in Muscatine County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of West Liberty provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also provides electric, water, sewer and solid waste utilities.

The financial statements of the City of West Liberty have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of West Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of West Liberty (the primary government) and any component units of which it has none.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Assessor's Conference Board, County Emergency Management Commission, Muscatine County Landfill Commission and Muscatine County Joint E911 Service Board, West Liberty Community School District, Muscatine County Engineer.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

"Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

"Restricted net assets" result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

"Unrestricted net assets" consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities related to street improvements.

Debt Service:

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivables have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2007.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted

assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	2,500
Infrastructure	35,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	15-50 years
Vehicles	3-15 years
Equipment	5-30 years
Infrastructure	15-20 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and if material, a fund liability of the governmental fund that will pay it. At June 30, 2008 the liability was not material to the financial statements.



Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### NOTE 2- Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**NOTE 3- Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

<b>Primary Government</b>	<b>Balance Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance End of Year</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 467,919	393,353	-	861,272
Total capital assets not being depreciated	467,919	393,353	-	861,272
Capital assets being depreciated:				
Buildings	3,640,992	105,780	-	3,746,772
Improvements other than buildings	837,296	33,466	-	870,762
Equipment and vehicles	1,181,991	230,699	(12,249)	1,400,441
Infrastructure, road network	5,232,656	389,614	-	5,622,270
Total capital assets being depreciated	10,892,935	759,559	(12,249)	11,640,245
Less accumulated depreciation for:				
Buildings	1,577,277	60,670	(58,704)	1,579,243
Improvements other than buildings	355,248	101,804	-	457,052
Equipment and vehicles	757,756	112,788	(9,151)	861,393
Infrastructure, road network	1,930,124	184,335	-	2,114,459
Total accumulated depreciation	4,620,405	459,597	(67,855)	5,012,147
Total capital assets being depreciated, net	6,272,530	299,962	55,606	6,628,098
Governmental activities capital assets, net	\$ 6,740,449	693,315	55,606	7,489,370
<b>Business type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 2,484,897	-	-	2,484,897
Equipment and vehicles	17,429,663	181,592	(51,048)	17,560,207
Infrastructure, water and sewer network	8,249,220	443,263	-	8,692,483
Total capital assets being depreciated	28,163,780	624,855	(51,048)	28,737,587
Less accumulated depreciation for:				
Buildings	479,685	78,521	-	558,206
Equipment and vehicles	6,903,643	559,697	(51,048)	7,412,292
Infrastructure, water and sewer network	5,051,077	275,572	-	5,326,649
Total accumulated depreciation	12,434,405	913,790	(51,048)	13,297,147
Total capital assets being depreciated, net	15,729,375	(288,935)	-	15,440,440
Business type activities capital assets, net	\$ 15,729,375	(288,935)	-	15,440,440

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 74,428
Public works	218,739
Culture and recreation	106,005
General government	<u>1,719</u>
Total depreciation expense - governmental activities	<u>\$ 400,891</u>
Business type activities:	
Water	\$ 123,378
Sewer	215,512
Solid Waste	25,446
Electric	<u>549,453</u>
Total depreciation expense - business type activities	<u>\$ 913,789</u>

#### NOTE 4- Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 2,085,040	-	207,040	1,878,000	217,040
Total	<u>\$ 2,085,040</u>	<u>-</u>	<u>207,040</u>	<u>1,878,000</u>	<u>217,040</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
General Obligation Bonds	\$ 104,960		22,960	82,000	22,960
Revenue notes	5,670,000	110,612	575,622	5,204,990	1,420,336
Total	<u>\$ 5,774,960</u>	<u>110,612</u>	<u>598,582</u>	<u>5,286,990</u>	<u>1,443,296</u>

#### General obligation bonds/notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,960,000, are outstanding at June 30, 2008. General obligation bonds/notes bear interest at rates ranging from 3.75% to 5.3% and mature in varying annual amounts, ranging from \$26,880 to \$140,000 with the final maturities due in the year ending 2017.

Details of general obligation bonds/notes payable at June 30, 2008 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final Due <u>Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2007</u>
General obligation bonds/notes:						
Street Improvement bond	3/1/2001	4.5%-5.3%	6/30/2016	Various	1,490,000	930,000
Pool Capital Note	9/1/2002	2.75%-4.7%	6/30/2013	Various	400,000	168,000
Elm Street Capital Note	11/1/2006	3.75%-4.7%	6/1/2017	Various	850,000	780,000
Total governmental activities						<u>\$ 1,878,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	217,040	86,080	303,120
2010	201,880	76,659	278,539
2011	215,240	67,653	282,893
2012	230,240	57,925	288,165
2013	238,600	47,354	285,954
2014	215,000	36,238	251,238
2015	225,000	26,138	251,138
2016	235,000	15,465	250,465
2017	100,000	4,150	104,150
Total	<u>\$ 1,878,000</u>	<u>417,662</u>	<u>2,295,662</u>

#### Revenue notes

Three issues of unmatured revenue notes, totaling \$5,286,990, are outstanding at June 30, 2008. These notes bear interest at rates of 4.15% to 7.5% and mature in varying annual amounts ranging from \$12,235 to \$800,000 with the final maturity due in the year ending 2017.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2008, the City was in compliance with the revenue note provisions.

Details of revenue and general obligation notes payable at June 30, 2008 are as follows:

Business type activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final Due <u>Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2008</u>
Revenue notes:						
Electric	9/1/2002	2.5-5.3%	6/30/2017	Various	5,000,000	3,675,000
Sewer	3/1/1995	7.25-7.5%	6/30/2010	Various	3,115,000	630,000
Sewer	6/27/2007	6%	7/1/2008	800,000	800,000	800,000
Solid Waste	12/12/2007	5%	10/15/2012	Various	110,612	99,990
Total						<u>5,204,990</u>
General Obligation note:						
Sewer	9/1/2002	2.75-4.7%	6/30/2013	Various	195,000	<u>82,000</u>
Total						<u><u>\$ 5,286,990</u></u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	1,443,322	253,104	1,696,426
2010	669,486	191,184	860,670
2011	357,207	151,063	508,270
2012	373,340	134,121	507,461
2013	383,635	115,764	499,399
2014	370,000	96,920	466,920
2015	390,000	77,915	467,915
2016	410,000	57,510	467,510
2017	435,000	35,534	470,534
2018	455,000	12,058	467,058
Total	<u><u>\$ 5,286,990</u></u>	<u><u>1,125,173</u></u>	<u><u>6,412,163</u></u>

#### NOTE 5- Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Fire Reserve	General	\$ 15,000
Solid Waste	Special Rev.	9,935
Sewer	Street Imp.	200,283
Debt Service	Water	10,354
Debt Service	Sewer	31,060
Debt Service	Road Use	7,247
Debt Service	Street Imp.	54,872

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### NOTE 6- Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise: Electric	Special Revenue: General	<u>\$ 362,443</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

#### NOTE 7- Pension and Retirement Benefits

##### IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$79,673, \$74,663 and \$71,791, respectively, equal to the required contributions for each year.

#### NOTE 8- Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 9 - LOCAL OPTION SALES TAX

Commencing on July 1, 1995, the City began collecting a one percent local option sales tax. As approved by voters, the City is required to utilize the sales tax revenue it receives as follows:

##### From January 1, 2005

- 33 1/3% for local property tax relief
- 33 1/3% for streets, curbs & gutters
- 33 1/3% for community development projects including improvement of library, other facilities, community cleanup and infrastructure

#### NOTE 10 - CODE OF IOWA, CHAPTER 28E, ORGANIZATIONS

On September 11, 1983, the City entered into an agreement with the Muscatine County Solid Waste Management Agency for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing solid waste disposal facilities in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to remain a member of the Agency for as long as bonds remain outstanding that the City of Muscatine issued in fiscal year 1997 for construction of collection and disposal facilities.

On October 4, 1994, the City entered into an agreement with the Resale Power Group of Iowa for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of providing for the purchase, generation transmission distribution, sale and interchange of electric energy and related services. The agreement was modified on May 20, 1998 to include the purpose of contracting for electrical power and energy on a wholesale basis.

On January 3, 1995, the City entered into an agreement with other governmental units in the area for the establishment of a jointly governed public agency under Chapter 28E of the Code of Iowa for the purpose of mutual fire aid protection in Muscatine County, Iowa. The City has no direct financial commitment to the entity. The City is obligated to share its fire protection resources with other governmental units of the entity. On October 7, 1997 the City entered into an agreement under Chapter 28E of the Code of Iowa with the West Liberty Community School District for the purpose of allowing for relocation of a fence.

On January 20, 1998, the City, entered into an agreement with the City of Wilton, Iowa under Chapter 28E of the Code of Iowa for the purpose of sharing equally the cost of sewer line televising equipment.

On February 11, 2000, the City entered into an agreement with the Muscatine County Sheriff's Office, the City of Muscatine Police Department and the Muscatine County Attorney's Office for the establishment of a jointly governed public agency, the Muscatine County Drug Task Force, under Chapter 28E of the Code of Iowa for the purpose of coordinating their controlled substances investigations, under Chapter 28D, enforcement and prosecution efforts and to share resources available through various sources of funding. The City has no direct financial commitment to the entity. The City is obligated to share its law enforcement resources with the other governmental units of the entity.

On June 6, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Communities Ambulance District for the purpose of jointly owned ambulance equipment and the allocation of operating and maintenance expense.

On June 2, 2002, the City entered into an agreement under Chapter 28E with the West Liberty Volunteer Fire Department and the West Liberty Rural Fire Department for the purpose of jointly owned firefighting equipment and the allocation of operating and maintenance expense.

On October 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of joint use of recreational facilities of the City and the school for adult and youth recreation programs.

On December 18, 2006, the City entered into an agreement under Chapter 28E with the West Liberty School District for the purpose of providing recreational and social opportunities for the youth of the City of West Liberty.

#### NOTE 11- RPGI PARTICIPANT (AGENCY) AGREEMENT & RPGI PRO RATA GUARANTY

The City signed a RPGI Participant Agreement dated April 15<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI), an Iowa Chapter 28E Organization of which the City is a member. The purpose of the agreement is to permit RPGI to act as an agent for the City for entering into agreements for the purchase, generation, distribution, sale and interchange of electric energy. The agreement commences on January 1, 2008 and shall continue for successive five year terms until terminated by either party.

Related to the preceding agreement, the City also signed a RPGI Pro Rata Guaranty dated April 16<sup>th</sup>, 2006 with the Resale Power Group of Iowa (RPGI). The purpose of the guaranty is to obligate the City to be contingently liable to RPGI in its role as a contracting agent and guarantor for the purchase of electric energy from Ameren Energy Marketing Company (AEM) of Illinois in behalf of the members of RPGI. The City's share of the RPGI's \$20M guaranty to AEM is 7.61%, or \$1,528,088 based upon the agreement among the members of RPGI. The guaranty agreement terminates on February 15<sup>th</sup>, 2009, unless the agreement with AEM terminates prior to that date.

#### NOTE 12 - TAX INCREMENT FINANCING

Resolution 6-03 authorized a loan to the Tax Increment Financing Fund. The City of West Liberty has established the West Liberty Urban Renewal Area whereas the City will perform certain improvements consisting of repair and renovation of the east side interceptor sewer. In order to make the improvements eligible to be paid from the incremental property tax revenues, it is necessary to create an internal debt. The City Clerk was directed that \$90,000 be advanced to the Tax Increment Fund from the Electric Fund in order to pay the cost of the improvements. The advance shall be treated as a loan to the Tax Increment Fund and shall be repaid to the Electric Fund with interest of 3.75% per annum. Payment shall be made on the loan on December 31<sup>st</sup> and June 30<sup>th</sup> of each year to the extent there are incremental tax revenues available for such purpose. Funds shall be credited first to accrued interest and then to outstanding principal. Similarly, Resolution 4-02 established a Tax Increment Fund and authorized a loan to that fund. The City performed certain improvements consisting of the acquisition and demolition of 109 Rainbow Drive. The City Clerk was directed that \$90,000 be advanced to the TIF from the General Fund with interest of 3.75%. Payments shall be made June 1<sup>st</sup>, of each year as TIF funds are available. Payments will be allocated first to accrued interest and then to outstanding principal. This note was paid in full during the fiscal year ended June 30, 2008.

#### NOTE 13 - STREET CONSTRUCTION G.O. CAPITAL LOAN NOTE

During the fiscal year ended June 30, 2000, the City received proceeds of \$1,000,000 from a bond anticipatory note for purposes of street construction. The debt dated May 3, 2000 carried an interest rate of 5.1% and was due June 1, 2001. The liability for the note was shown in the special revenue street fund. The refinancing of the short term note on a long term basis was anticipated to be completed during the fiscal year ended June 30, 2001. The street construction loan was not included in the general long term debt account group.



During the fiscal year ended June 30, 2001, the City received proceeds of \$1,490,000 from a General Obligation Capital Loan Note for the purposes of refinancing the fore mentioned note and additional street construction. The debt, dated March 22, 2001, carries an average interest rate of 5.0527% and is due June 1, 2016.

#### NOTE 14 - CAPITAL LOAN NOTES

##### Water Pollution Control

The City issued general obligation capital loan notes dated January 1, 1994 in the aggregate amount of \$350,000 for the purpose of financing construction of Water Pollution Control plant and sewer improvements. The notes mature serially between 1997 and 2009 and carry an average interest rate of 4.867%. As of July 1, 2002 the remaining notes payable totaled \$190,000.

The above remaining capital loan notes of \$190,000 were retired by refunding the debt with General Obligation Capital Loan Notes dated September 1, 2002 for a total of \$195,000. These refunding Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$400,000 was issued for the purpose of the swimming pool renovation project. Therefore, 32.7731% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Water Pollution Control proprietary enterprise fund. The notes mature serially between 2006 and 2013 and carry an average interest rate of 4.14%.

##### Pool Renovation Project

Dated September 1, 2002, the City issued \$400,000 of General Obligation Capital Loan Notes to fund renovation of the Municipal Swimming Pool. These Capital Loan Notes are included as a part of the \$595,000 of Capital Loan Notes issued that date of which \$195,000 was issued for the purpose of refunding Water Pollution Control Capital Loan Notes dated January 1, 1994. Therefore, 67.227% of principal and interest debt service payments on the \$595,000 of Capital Loan Notes are allocated to the Debt Service Fund. The notes mature serially between 2006 and 2013 and carry an average interest rate of 4.14%.

#### NOTE 15 - NOTE INDEBTEDNESS - REVENUE NOTE REQUIREMENTS

##### Water Pollution Control Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$3,115,000 of Sewer Revenue Capital Loan Notes, dated March 1, 1995, to finance the construction of improvements to the Water Pollution Control facility and related improvements.

The ordinance provides that these notes will be retired from the revenue of the municipal Sewer Utility. The ordinance creates the following three funds to provide for the retirement of the notes:

1. Note and Interest Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
2. Debt Service Reserve Fund - Monthly deposits of 25% of the amount required for the above Note and Interest Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the maximum interest and principal coming due or ten percent of the principal amount outstanding.

3. Sewer Improvement Fund - Monthly payments of \$5,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #1 and #2 above and for repairs or construction of additional works and facilities. Payments are to continue until \$300,000 has been accumulated in the account. If the account balance drops below this minimum balance, the monthly \$5,000 payments must recommence.

The bonds mature serially starting March 1, 1997, through March 1, 2010. Interest is payable semiannually on March 1 and September 1. Deposits to above funds #1 and #2 were made correctly during the year in accordance with the above requirements. Fund #3 was exhausted during the 2005-2006 fiscal year. The fund has not been replenished.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Water Pollution Control Facility in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund reserve and improvement funds, but not less than 125% of the principal and interest requirements each year.
- c. The City will maintain adequate insurance on the facilities.
- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders. The audit report must include the following:
  - i. An evaluation of covenant compliances.
  - ii. Statement of revenues and expenses.
  - iii. Balance sheet.
  - iv. Rates in effect at the end of the fiscal year, the number of customers of the system and an analysis of the rates of debt service to net revenues.
  - v. Schedule of insurance.
  - iv. Evaluation of internal controls and sufficiency of fidelity bonding.
  - vii. Listing of public officials.
  - viii. Statement addressing any events or circumstances which might affect the financial status of the system.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges and security from customers for payment of service charges.
- i. The City will adopt a system budget each year.

The City complied with the preceding covenants for the fiscal year ended June 30, 2008, except for the following paragraph.

The net revenue of the Sewer Proprietary Fund for the year ended June 30, 2008 did not meet the minimum net revenue required by the bond covenants of the Sewer Revenue Capital Loan Notes dated March 1, 1995 by \$107,981.

On April 16, 1996, the City received official notification from the Louis Rich Company, the major user of the system, that the West Liberty plant was for sale. The Iowa Turkey Growers

Cooperative (ITGC) purchased the production facilities in West Liberty from the Louis Rich Company on January 1, 1997. A contract was signed with the City by ITGC whereby the city will provide wastewater treatment services to ITGC on a contractual basis similar to the contract previously with the Louis Rich Company. The Louis Rich Company was obligated to pay a "Capital" charge which they have discontinued paying. In response, during the fiscal year ending June 30, 2008, sewer rates for ITGC were substantially increased by the City.

#### Electric Utility Revenue Notes

The Council of the City of West Liberty passed an ordinance to authorize the issuance of \$5,000,000 of Electric Revenue Capital Loan Notes, dated September 1, 2002, to finance the construction of improvements to the Municipal Electric Utility of the City including additional generating capacity.

The ordinance provides that these notes will be retired from the revenue of the Municipal Electric Utility. The ordinance creates the following four funds to provide for the retirement of the notes:

1. Operation & Maintenance Fund - Monthly deposits are to be made to this fund from operating revenues sufficient to meet the current operating expenses of the month plus an amount equal to one-twelfth of the expenses payable annually.
2. Sinking Fund - Monthly deposits are to be made to this fund from the operations account amounting to one-sixth of the interest coming due at the next semiannual interest payment date, plus one-twelfth of the notes maturing on the next maturity date. Notes and interest are paid by this fund.
3. Reserve Fund - Monthly deposits of 25% of the amount required for the above Sinking Fund from the operations account are to be made into this fund until the fund balance has reached the Reserve Fund Requirement. The Reserve Fund Requirement equals the lesser of the (1) maximum interest and principal coming due, (2) ten percent of the principal amount outstanding, or (3) 125% of the average annual principal and interest coming due. An initial deposit of \$471,000 to the Reserve Fund was required.
4. Improvement Fund - Monthly payments of \$4,000 are to be made to this fund. This fund is to be used, if necessary, to finance accounts #2 and #3 above and for repairs or construction of additional works and facilities. Payments are to continue until \$500,000 has been accumulated in the account. If the account balance drops below this minimum balance, the monthly \$4,000 payments must recommence. An initial deposit of \$500,000 to the Improvement Fund was required.

The bonds mature serially starting December 1, 2006, through December 1, 2017. Notes maturing after December 1, 2010 may be called for redemption on said date or anytime thereafter at par by giving thirty (30) days notice of redemption. Interest is payable semiannually on June 1 and December 1. Monthly deposits to above funds #1, #2, #3 and #4 were made correctly during the year in accordance with the above requirements.

The ordinance required that the accrued interest of \$19,918.22 received from issuance of the notes be deposited to the Sinking Fund. Also, it required \$471,000 from funds on hand to be deposited in the Reserve Fund and \$500,000 from funds on hand to be deposited to the Improvement Fund. All three of these requirements have been completed.

The ordinance also requires that other covenants be complied with as follows:

- a. The City will maintain the Electric Utility System in good condition; operate it in an efficient manner and at reasonable cost.
- b. The City will produce sufficient net revenue adequate to pay principal and interest on notes and fund Reserve and Improvement Funds.

- c. The City will maintain adequate insurance on the facilities. Proceeds of any insurance will be used to repair or replace destroyed parts of the system or shall be placed in the Improvement Fund.
- d. The City will have an annual audit by an independent auditor and provide a copy to the original purchaser and other note holders, upon request.
- e. The City will operate the system in compliance with state laws.
- f. The City will not sell, lease or in any other manner dispose of any of the system, generally.
- g. Sufficient fidelity bond coverage will be maintained by the City.
- h. The City will require proper connecting charges or other security for payment of service charges.
- i. The City will approve and conduct operations pursuant to a system budget of revenues and expenses for each fiscal year.

The City complied with the preceding covenants for the fiscal year ended June 30, 2008.

#### NOTE 16 – SEWER REVENUE CAPITAL LOAN NOTE

On June 27, 2007 the City of West Liberty was issued a \$800,000 Sewer Revenue note for the purpose of paying costs of improvement and extension of the sewer system. This note is intended to serve as interim financing. The note was scheduled to mature July 1, 2008 but has been extended for 1 year. The note has an interest rate of 6%.

To insure the sufficiency of the Project Fund, the City covenants that 1) it will use the Fund only for the purpose of the payment of costs of acquisition of the project to be financed or for the payment of principal and interest on the Project Notes; 2) it will from time to time increase the amount of the appropriations to the Fund to the extent necessary to assure that the expected receipts and any moneys appropriated for the purpose will be sufficient to pay the principal of the interest on the Project Notes; and 3) it will obtain the collection of funds and the proceeds of the sale of bonds anticipated to be received in the Fund and , if not paid from other sources, apply the same to the payment of the Project Notes and interest thereon.

#### NOTE 17 – ELM STREET GENERAL OBLIGATION NOTE

On November 1, 2006, the City of West Liberty issued an \$850,000 general obligation note for the purpose of financing improvements to Elm Street. The notes mature serially between 2008 and 2017 and carry interest notes from 3.75%-4.15%. As of June 30, 2008, the note payable balance is \$780,000.

#### NOTE 18 – SOLID WASTE TRUCK LOAN

During the fiscal year ended June 30, 2008, the city received a loan of \$110,612 to be used to for the purchase of a new garbage truck. The loan, dated December 12, 2007, carries an interest rate of 5.0% and is due on October 15, 2012. As of June 30, 2008 the remaining balance was 99,990.35. The loan is secured by the garbage truck.

#### NOTE 19 – CONTRACT COMMITMENTS

As of June 30, 2006, the City was obligated under the following contract commitments:

Operations Management International, Inc. for operation of the Wastewater Treatment Plant, Sludge Disposal and Industrial Monitoring program under a five year amended contract dated June 10, 2006 that began July 1, 2006, at a monthly fee of \$43,185, adjusted annually. The monthly fees for 2007-2008 fiscal year were \$52,363.

Solar Turbines Incorporated for maintenance of the two turbine generator sets under a five year contract dated June 1, 2005 at a monthly fee of \$4,500, adjusted annually for inflation. The monthly fees for the 2007-2008 fiscal year were \$4,900.

## Required Supplementary Information

City of West Liberty

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) -  
Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	Original <u>Budget</u>	Final <u>Budget</u>	Actual to Budget <u>Variance</u>
Receipts:						
Property tax	\$ 809,496		809,496	797,277	797,277	12,219
Tax increment financing	149,195		149,195	152,730	152,730	(3,535)
Local Option	360,873		360,873	316,852	316,852	44,021
Licenses and permits	13,303		13,303	12,050	12,050	1,253
Use of money and property	78,024	245,087	323,111	388,625	388,625	(65,514)
Intergovernmental	311,618		311,618	316,220	316,220	(4,602)
Charges for service	172,235	5,836,065	6,008,300	7,516,140	7,516,140	(1,507,840)
Miscellaneous	125,794	37,443	163,237	72,700	72,700	90,537
Contributions	496,013	-	496,013	-	-	496,013
Total receipts	<u>2,516,551</u>	<u>6,118,595</u>	<u>8,635,146</u>	<u>9,572,594</u>	<u>9,572,594</u>	<u>(937,448)</u>
Disbursements:						
Public safety	695,671		695,671	612,591	702,866	7,195
Public works	518,212		518,212	354,361	540,871	22,659
Culture and recreation	991,550		991,550	517,490	991,920	370
General government	103,678		103,678	114,162	127,662	23,984
Community & Economic Dev.	316		316	-	350	34
Debt service	302,660		302,660	262,533	509,523	206,863
Capital projects	374,089		374,089	-	612,995	238,906
Business type activities	-	6,100,898	6,100,898	6,937,917	6,937,917	837,019
Total disbursements	<u>2,986,176</u>	<u>6,100,898</u>	<u>9,087,074</u>	<u>8,799,054</u>	<u>10,424,104</u>	<u>1,337,030</u>
Excess (deficiency) of receipts over (under) disbursements	(469,625)	17,697	(451,928)	773,540	(851,510)	399,582
Transfers In	118,533	210,218	328,751	65,076	65,076	(263,675)
Transfers (Out)	(287,338)	(41,413)	(328,751)	(65,076)	(65,076)	263,675
Other financing sources, net	<u>(168,805)</u>	<u>168,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(638,430)	186,502	(451,928)	773,540	(851,510)	399,582
Balances beginning of year	<u>2,651,565</u>	<u>16,763,589</u>	<u>19,415,154</u>	<u>17,242,622</u>	<u>17,998,391</u>	<u>-</u>
Balances end of year	<u>\$ 2,013,135</u>	<u>16,950,091</u>	<u>18,963,226</u>	<u>18,016,162</u>	<u>17,146,881</u>	<u>399,582</u>

See accompanying independent auditors' report.

City of West Liberty  
Notes to Required Supplementary Information – Budgetary Reporting  
Year ended June 30, 2008

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendments increased budgeted disbursements by \$1,625,050. The budget amendment is reflected in the final budgeted amounts.



City of West Liberty

## Other Supplementary Information

## City of West Liberty

Combining Balance Sheet  
Nonmajor Funds

June 30, 2008

	Special Law Enforcement	Crees Cemetery	Library Improvement	Road Use	FEMA	TIF Urban Renewal	Dutton Trust and Agency	Fire Trust and Agency	Library Trust
<b>Assets</b>									
Cash and pooled investments	\$ 1,659	41,798	-	39,746	8,951	5,091	412,209	45,789	125,110
Receivables:									
Accrued interest		177						42	
Due from other governments						229			
Prepays	-			8,428					
<b>Total assets</b>	<b>\$ 1,659</b>	<b>41,975</b>	<b>-</b>	<b>48,174</b>	<b>8,951</b>	<b>5,320</b>	<b>412,209</b>	<b>45,831</b>	<b>125,110</b>
<b>Liabilities and Fund Equity</b>									
<b>Liabilities:</b>									
Accounts payable		\$ 452		44,171					1,005
Accrued payroll				6,388					
Due to other funds									
<b>Fund equity:</b>									
Fund balances:									
Unreserved, undesignated	1,659	41,523	-	(2,385)	8,951	5,320	412,209	45,831	124,105
<b>Total liabilities and fund equity</b>	<b>\$ 1,659</b>	<b>41,975</b>	<b>-</b>	<b>48,174</b>	<b>8,951</b>	<b>5,320</b>	<b>412,209</b>	<b>45,831</b>	<b>125,110</b>

See accompanying independent auditors' report.

City of West Liberty  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2008

	Insurance Reserve	Ambulance Reserve	Fire Reserve	Cash Clearing	Subtotal Special Revenue	Capital Projects	Total
142,397	142,397	147,238	108,897	4,652	1,083,537	22,807	1,106,344
213					432		432
					229		229
					8,428		8,428
142,610	142,610	147,238	108,897	4,652	1,092,626	22,807	1,115,433
250					45,878		45,878
					6,388		6,388
					-		-
142,360	142,360	147,238	108,897	4,652	1,040,360	22,807	1,063,167
142,610	142,610	147,238	108,897	4,652	1,092,626	22,807	1,115,433

See accompanying independent auditors' report.

City of West Liberty  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Funds  
Year ended June 30, 2008

	Special Law Enforcement	Crees Cemetery	Library Improvement	Road Use	FEMA	TIF Urban Renewal	Dutton Trust and Agency	Fire Trust and Agency	Library Trust
Revenues:									
Property tax									
Tax increment financing									
Use of money and property	48	1,668		285,461	9,935	24,468	553	1,391	3,391
Intergovernmental						239			
Charge for service									
Miscellaneous									
Contributions - Gifts/Grants									
Total revenues	48	1,668	-	285,461	9,935	24,707	411,656	47,632	6,975
							412,209	49,023	10,366
Expenditures:									
Operating:									
Public Safety								35,045	
Public Works				411,295					4,924
Culture and Recreation			75						
Beautification									
General Government									
Debt Service									
Total expenditures				411,295		670	-	35,045	4,924
Excess (deficiency) of revenues over (under) expenditures	48	1,668	(75)	(125,834)	9,935	24,037	412,209	13,978	5,442
Other financing sources (uses):									
Operating transfers in (out)	-			(7,247)	(9,935)				
Total other financing sources (uses)	-	-	-	(7,247)	(9,935)	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	48	1,668	(75)	(133,081)	-	24,037	412,209	13,978	5,442
Fund balances beginning of year	1,611	39,855	75	130,696	8,951	(18,717)	-	31,853	118,663
Fund balances end of year	\$ 1,659	41,523	-	(2,385)	8,951	5,320	412,209	45,831	124,105

See accompanying independent auditors' report.

City of West Liberty  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Funds  
Year Ended June 30, 2008

Insurance Reserve	Ambulance Reserve	Fire Reserve	Cash Clearing	Subtotal Special Revenue	Capital Projects	Total
4,815	3,211	2,581		24,468	639	24,468
				17,897		18,536
				295,396		295,396
46,971	52,090	7,500	1,619	52,090		52,090
				56,090		56,090
				466,263		466,263
51,786	55,301	10,081	1,619	912,204	639	912,843
	5,010			40,055		40,055
				411,295		411,295
				4,999		4,999
52,301				-		-
				52,301		52,301
				670		670
52,301	5,010	-	-	509,320	-	509,320
(515)	50,291	10,081	1,619	402,884	639	403,523
		15,000		(2,182)		(2,182)
-	-	15,000	-	(2,182)	-	(2,182)
(515)	50,291	25,081	1,619	400,702	639	401,341
142,875	96,947	83,816	3,033	639,658	22,168	661,826
142,360	147,238	108,897	4,652	1,040,360	22,807	1,063,167

## City of West Liberty

Schedule of Revenues by Source and Expenditures by Function-  
All Governmental Funds

For the Last Four Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Property tax	809,496	759,669	712,714	678,048
Tax increment financing revenue	149,195	181,404	177,787	177,486
Local Option Tax	360,873	358,319	309,232	278,919
Licenses and permits	13,303	15,211	21,076	24,309
Use of money and property	78,024	96,442	64,049	36,501
Intergovernmental	311,618	293,258	807,700	291,191
Charges for service	172,235	133,751	126,936	118,280
Miscellaneous	125,794	116,680	153,687	216,935
Contributions	496,013	-	-	-
Total	<u>\$ 2,516,551</u>	<u>1,954,734</u>	<u>2,373,181</u>	<u>1,821,669</u>
Expenditures:				
Operating:				
Public safety	\$ 695,671	518,950	660,357	646,908
Public works	518,212	324,907	291,609	328,661
Culture and recreation	991,550	550,833	431,894	549,168
Community and economic development	316	-	-	87
General government	103,678	111,083	168,056	182,985
Debt service	302,660	223,045	205,702	203,904
Capital projects	374,089	80,605	827,118	399,354
Total	<u>\$ 2,986,176</u>	<u>1,809,423</u>	<u>2,584,736</u>	<u>2,311,067</u>

See accompanying independent auditors' report.

## City of West Liberty

Insurance in Force  
June 30, 2008

Insurer	Description	Amount	Expiration Date	Remarks	Policy Number	Term	Inception Date
Employers Mutual Co.	Property	\$ 14,701,852	4/1/2008	90% cash value	8X9-30-44--08	1 yr.	4/1/2008
	Broad form company general	5,000,000			Package		
	Business auto	1,000,000					
	Crime coverage						
	Loss inside premises	10,000					
	Loss outside premises	10,000					
	Boiler and machinery						
	Limit per accident	16,881,186					
	Inland marine	361,236					
	EDP			As caused			
	Citizen band radios			Included in property			
	Contractors equipment form			Included in property			
	Miscellaneous property form			Included in property			
	Umbrella liability			Included in property			
	Retained limit	5,000,000					
The Hartford Accident and Indemnity Company	Linebacker	10,000					
	Worker's compensation	1,000,000					
	Employee Dishonesty	500,000					
	Forgery	25,000					
		10,000					
	Volunteer firefighters		3/23/2009	Volunteer firefighters	83-VP-730207	1 yr.	3/23/2008
	Accidental death & dismember benefit	50,000		blanket			
	Accident total disability benefit	100		Accident policy weekly benefit Up to age 65			



## City of West Liberty

Bond and Note Maturities  
June 30, 2008

## General Obligation and Revenue Bonds &amp; Notes

Year Ending June 30,	<u>Pool Project</u> <u>Issued September 1, 2002</u>		<u>Street Improvements Bond</u> <u>Issued March 1, 2001</u>		<u>Elm Street GO Note</u> <u>Issued November 1, 2006</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2009	4.15%	47,040	4.90%	95,000	3.75%	75,000
2010	4.30%	26,880	5.00%	100,000	3.80%	75,000
2011	4.45%	30,240	5.05%	105,000	3.85%	80,000
2012	4.60%	30,240	5.10%	115,000	3.90%	85,000
2013	4.70%	33,600	5.15%	120,000	3.95%	85,000
2014			5.20%	125,000	4.00%	90,000
2015			5.25%	130,000	4.05%	95,000
2016			5.30%	140,000	4.10%	95,000
2017		-		-	4.15%	100,000
Total		<u>\$ 168,000</u>		<u>930,000</u>		<u>780,000</u>



## City of West Liberty

Computation of Legal Debt Margin  
June 30, 2008

Actual Valuation at January 1, 2005	\$ 126,268,306
Times %	x 5%
Legal Debt Limitation	<u>6,313,415</u>
Debt Applicable to Limitation	
Outstanding General Obligation Bonds and Notes	
at June 30, 2008	<u>1,960,000</u>
Legal Debt Margin	<u><u>\$ 4,353,415</u></u>

## City of West Liberty

## Electric Utility

Restricted Accounts Required By Bond Ordinance  
June 30, 2008

	<u>Account</u>			
	<u>Current Debt Service</u>	<u>Future Debt Service Reserve</u>	<u>Contingency (Renewal and Replacement)</u>	<u>Total</u>
Cash and Investments - Beginning of Year	\$ 182,181	471,000	580,108	1,233,289
Cash Receipts - Transfers From Operating Cash	<u>474,412</u>	<u>-</u>	<u>-</u>	<u>474,412</u>
Total Cash and Investments Available	<u>656,593</u>	<u>471,000</u>	<u>580,108</u>	<u>1,707,701</u>
Cash Disbursements				
Principal Payments	285,000			285,000
Interest Payments	<u>184,528</u>	<u>-</u>	<u>-</u>	<u>184,528</u>
Total Cash Disbursement	<u>469,528</u>	<u>-</u>	<u>-</u>	<u>469,528</u>
Cash and Investments - End of Year	<u>\$ 187,065</u>	<u>471,000</u>	<u>580,108</u>	<u>1,238,173</u>

## City of West Liberty

Sewer Utility – Revenue Bond & Note  
 Restricted Accounts Required By Bond Ordinance  
 June 30, 2008

	<u>Account</u>			
	<u>Current Debt Service</u>	<u>Future Debt Service Reserve</u>	<u>Contingency (Renewal and Replacement)</u>	<u>Total</u>
Cash and Investments - Beginning of Year	\$ 152,507		507,666	660,173
Cash Receipts - Transfers In (Out) From Operating Cash	<u>374,084</u>	<u>-</u>	<u>169,019</u>	<u>543,103</u>
Total Cash and Investments Available	<u>526,591</u>	<u>-</u>	<u>676,685</u>	<u>1,203,276</u>
Cash Disbursements				
Transfers				-
Principal Payments	280,000			280,000
Interest Payments	<u>92,271</u>	<u>-</u>	<u>-</u>	<u>92,271</u>
Total Cash Disbursements	<u>372,271</u>	<u>-</u>	<u>-</u>	<u>372,271</u>
Cash and Investments - End of Year	<u>\$ 154,320</u>	<u>-</u>	<u>676,685</u>	<u>831,005</u>

City of West Liberty

Sewer Rates and Customers

Number of Sewer Customers as of June 30, 2008: 1507

Sewer Rates as of June 30, 2008: \$4.05/1,000 gallons/month plus \$18.50 user fee/month  
minimum for 0-1,000 gallons \$22.55

Rural usage: \$4.63/1,000 gallons/month plus \$26.83 user fee/month  
minimum for 0-1,000 gallons \$31.46

## City of West Liberty

## Sewer Net Revenues and Comparison to Debt Service

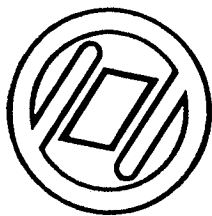
## Sewer Proprietary Enterprise Fund:

Net Income for Year Ended June 30, 2008	\$ 51,690
Add: Depreciation Expense	215,512
Bond Interest Paid	<u>90,155</u>
Net Revenue for Year Ended June 30, 2008	<u>357,357</u>
Debt Service Requirements for the Year Ended June 30, 2008	372,270
Bonding Requirement Factor	x <u>125%</u>
Minimum Net Revenue	<u>465,338</u>
Bonding Requirements (Deficit)	<u><u>\$ (107,981)</u></u>

City of West Liberty



Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
Government Auditing Standards



# Taylor, Rees, Beckey & Co., P.C.

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of The City of West Liberty (the City), Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that would be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of The City of West Liberty and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Liberty during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Taylor, Rees, Beckey & Co., P.C.*

TAYLOR, REES, BECKEY & CO., P.C.  
Certified Public Accountants

November 30, 2008

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City of West Liberty  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Federal program expenditures for the year did not exceed \$500,000.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

REPORTABLE CONDITIONS:

No matters were noted. Since expenditures of federal awards did not exceed \$500,000, a "Single Audit" was not performed.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08      Financial Condition – The Sewer Fund, a proprietary fund, had a negative cash balance at June 30, 2008 of \$668,668

Recommendation – The City should make an inter-fund loan until an alternate recovery plan is in place.

Response – The City will make an inter-fund loan until an alternate recovery plan has begun with new sewer rates in effect.

Conclusion – Response accepted.

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IV-B-08      Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08      Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted that represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa.

IV-D-08      Business Transactions – Business transactions between the City and City officials or employees are noted as follows:

Name, Title, and Business Connection	Transaction Description	Amount
William Cline – Council Member HD Cline Company	Parts, Repairs	\$22,690

From our review of the purchases in accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with HD Cline Company do not appear to represent conflicts of interest.

IV-E-08      Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-08      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-08      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-08      Revenue Notes – The net revenue of the Sewer Proprietary Fund did not meet the minimum net revenue required by the bond covenants of the Sewer Revenue Capital Loan Notes, dated March 1, 1995 by \$107,981.

Recommendation – Increase sewer revenue.

Response – Additional Sewer payments will be required from industrial users or from an increase in general sewer rates.

Conclusion – Response accepted.

IV-I-08      Sewer Improvement Fund – The balance for future debt service reserve in the Sewer Improvement Fund was exhausted therefore this fund did not meet the \$300,000 required balance in this account.

Recommendation – Replenish the fund during fiscal year 2008-2009.

Response – The fund will be replenished by increasing sewer rates during fiscal year 2008-2009.

Conclusion – Response accepted.

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IV-I-08

Financial Condition – The Road Use, a special revenue fund, had a deficit balance at June 30, 2008 of \$2,385.

Recommendation – The city should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – Expenditures will be budgeted to offset the deficit balance.

Conclusion – Response accepted.

